

THE SEATTLE CITY COUNCIL

REQUEST FOR PROPOSALS (RFP)

to

REVIEW THE FINANCIAL VIABILITY OF THE SEATTLE MONORAIL PROJECT GREEN LINE

Released: August 2, 2004

Proposals Due: August 23, 2004

Background

The Seattle Monorail Project (SMP) grew out of grass-roots citizen initiatives approved in 1997 and 2000. The Elevated Transportation Company (ETC), the predecessor agency to the SMP, developed a plan for a 14-mile “Green Line” monorail line in the City of Seattle, running primarily in City rights-of-way, as part of an eventual 50+-mile monorail system. The voters of Seattle approved a ballot measure in November 2002 that created the SMP and authorized a motor vehicle excise tax to fund implementation of the Green Line plan.

The SMP is a “city transportation authority” under state law (RCW 35.95A). The SMP is a separate government entity from the City of Seattle, but it needs a number of permits and approvals from the City before it can build the monorail. The SMP is using a design-build-operate-maintain approach to the Green Line project, and anticipates awarding a Design Build Equip Contract (DBEC) and an Operate and Maintain Contract (OMC) to a single overall team in fall 2004. The Green Line is planned to be built and operating by mid-2009.

As part of its due diligence on behalf of the people of the City of Seattle, the City Council has decided to undertake a review of the financial viability of the Green Line before allowing City departments to issue construction permits. The general parameters of this review are outlined in subsection 3.1.1 A of the “Transit Way Agreement,” an agreement between the City and the SMP under which the City gives SMP certain rights to use City rights-of-way for the monorail, and in Resolution 30693. (Ordinance 121517 authorizing execution of the Transit Way Agreement, the Transit Way Agreement itself, and Resolution 30693 are included as Attachments A, B, and C, respectively.) The City Council’s review is solely a part of the City’s determination whether to consent to SMP’s use of its rights-of-way and to allow issuance of project construction permits, and is for the City’s benefit only.

Section 1. Project Goals and Purpose

The overall goal of this project is to provide the Seattle City Council with an independent review of the financial viability, including both construction and operation, of the proposed Seattle Monorail Project (SMP) Green Line. The Council and SMP have agreed that before the Council decides whether to allow issuance of construction permits for the Green Line, which will be located primarily in City rights-of-way, it will conduct such a review as part of its due diligence on behalf of the people of the City of Seattle. The Council has decided to hire an independent consultant or consultant team to assist it in this financial review. The Council's overall intent with regard to the scope and purpose of this review is set out in Council Resolution 30693.

Principally, the Council is seeking answers to the following questions:

1. Are SMP's financial resources adequate to complete construction of the 14-mile Green Line monorail system and, for five years after the Green Line is open for revenue service, operate, maintain and make adequate provision for replacement of the capital stock of the Green Line, without creating undue financial risks after those five years?
2. When combined with the other financial resources SMP will have available, does the SMP's \$1.5 billion cap (in 2002 dollars) on debt provide sufficient financing capacity to complete the project and operate and maintain it for the first five years?
3. Are SMP's financial resources adequate to cover all remaining capital and operating costs, beyond those addressed in the DBEC and OMC?
4. Has SMP provided sufficient protections and reserves to pay unanticipated costs and to address unanticipated risks?
5. After performing sensitivity analyses of key assumptions, what are the key areas of risk that affect the feasibility of the construction and operation of the Green Line and what are the key elements of financial strength?

The Council is seeking a consultant, or a lead consultant that has assembled a team of sub-consultants, with extensive professional experience in public transportation, transportation contracting and public finance. In addition, the Council is seeking a consultant or consultant team (hereafter consultant) with staffing resources sufficient to complete the identified scope of work in a timely manner.

Section 2. Scope of Work

The consultant will complete the tasks below, focusing on those that pose the greatest risk to the financial viability of the monorail. The consultant's report will clearly explain the relation between the findings under each task of this scope of work and the answers to the five questions in Section 1.

1. Assess Completeness of SMP's Financial Submittal
Review the financial submittal and assess whether SMP has made a complete submittal, i.e., provided materials per subsection 3.1.1 A of the Transit Way Agreement that are sufficient to support the financial viability review. Make recommendation to the City Council as to the completeness of the submittal, noting any additional information the consultant believes is required to make the submittal complete.
2. Review and Comment on Revenue Forecasts (including an assessment of the reasonableness of underlying assumptions, robustness of forecasts (i.e., over what range of assumptions can the forecasts be relied upon), and potential range of revenues from each individual source). For each revenue source listed below,

identify the major risks to SMP's estimate and their likely impact on revenue, and provide some assessment of their likelihood of occurrence.

- a. Motor Vehicle Excise Tax (MVET). Include a review of the following assumptions underlying SMP's forecast of MVET revenues.
 - Tax base (including impact of new State Department of Licensing rules)
 - Annual growth rate in revenues
 - Number of years during which the MVET must be imposed to cover costs to build, operate, and maintain the Green Line (including debt service under the SMP's proposed financing plan)
- b. Operating – Farebox. Include a review of the following assumptions underlying SMP's forecast of farebox revenues.
 - Ridership models and forecasts (including assumptions about bus route changes)
 - Fare structure and integration of fares with other transit systems, including allocation of fare revenues from multi-system riders (e.g., SMP and King County Metro Transit bus system)

The consultant may develop independent ridership and farebox revenue estimates, using available information.

- c. Operating – Non-Farebox. Include a review of the assumptions underlying SMP's forecasts of revenues from the following non-farebox sources.
 - Advertising
 - Retail leasing at stations
 - Other entrepreneurial activities

- d. Other Revenues (e.g., sale of surplus land)

3. Review and Comment on Cost Estimates (including an assessment of the reasonableness of underlying assumptions, robustness of estimates, implications of possible construction schedule changes or changes in major equipment delivery schedule, and potential range of costs within each category). For each category of cost below, identify the major risks to SMP's estimate and their likely impact, and provide some assessment of their likelihood of occurrence.

- a. Design-Build-Equip Contract (DBEC)
 - What project elements are included in the DBEC (e.g., what share of mitigation and other conditions is covered)?
 - How are risks shared between the contractor and SMP?
 - What financial guarantees and other protections are included in the DBEC?
 - What are the most probable drivers of change orders and what costs could be associated with such changes?

- b. Operate and Maintain Contract (OMC)
 - What project elements are included in the OMC?
 - Duration - what period is covered by the initial term?
 - What provisions are in the contract for renewals or extensions?
 - How is replacement of capital equipment addressed?
 - How are risks shared between the contractor and SMP?
 - What financial guarantees and other protections are included in the OMC?
 - c. Project elements for which SMP has retained cost responsibility
 - Property acquisition
 - Any permitting and approvals retained by SMP
 - Third-party agreements
 - Some share of mitigation and other conditions
 - Management and oversight
 - Reserves and contingencies (including judgments and claims)
 - Second phase planning
 - Other retained costs
 - d. Project elements for which it is unclear whether cost responsibility resides with SMP or the DBEC/OMC contractor. Identify these costs and assess their potential magnitude.
4. Review Feasibility of Implementing Financing Plan (through construction, operation, and term of bonds). Review SMP's assumptions and approach regarding the following elements of its financial plan. Are the elements of the plan individually feasible and do they comprise a collective whole that can be implemented as proposed?
- a. Structure, term, and schedule of proposed bond sales
 - b. Interest rate and bond rating forecasts
 - c. Contractor financing
 - d. Credit enhancements (e.g., letters of credit, insurance)
 - e. Other credit instruments (e.g., interest rate swaps)
 - f. Cash-flow schedule (including payments to contractors, bond holders, etc.)
 - g. Forecasts of underlying economic conditions
 - h. SMP's debt management policies
5. Sensitivity Analysis and "Stress-Testing" of Overall Financial Model/Plan
- a. Assess how overall financial outcomes could be affected by reasonably possible variations in the key parameters/assumptions that underlie the revenue, cost, and financing forecasts/estimates.
 - b. Identify cumulative financial impacts associated with a reasonable range of potential outcomes associated with the revenue, cost, and financing projections.

- c. Within what range of parameters can the monorail be constructed, operated and maintained, for at least five years after the entire system is open and generating revenue, given the financial resources available to SMP?
- d. Given results of the overall sensitivity analysis, what financial risks may exist beyond this five-year period? Recognizing the uncertainties associated with long-term projections, assess the likelihood that SMP will have sufficient financial resources to meet its operating and maintenance costs, capital replacement costs, and debt service obligations throughout the period during which Green Line construction bonds or other debt may be outstanding and identify the revenue sources assumed during that period.

6. Reporting

The consultant will prepare a final written report summarizing its analysis and findings. In addition, representatives of the consultant will be available to brief the Full Council, Council committees and individual Councilmembers, as requested.

Section 3. Information to be Available to Consultant

Consistent with subsection 3.1.1 A of the Transit Way Agreement, SMP will provide the Council a “financial submittal” that will include the following information:

- a. A list, explanation, and schedule of SMP's anticipated revenues and costs for construction and operations;
- b. SMP's plan for financing construction and operations, including the schedule for debt issuance, projected debt terms, and interest rate assumptions;
- c. A copy of the then-most-current draft or final version of SMP's annual financial report required by RCW 43.09.230;
- d. A copy of the then-most-current version of all financial statements drafted since the last annual financial report required by RCW 43.09.230;
- e. All materials submitted to rating agencies and/or potential credit enhancers, including a synopsis of major oral presentations made;
- f. SMP's Request for Proposals to Design, Build, Operate, Maintain the Green Line;
- g. Copies of all reports by rating agencies;
- h. The finalized Design Build Equip Contract (DBEC) and Operations and Maintenance Contract (OMC) that the SMP Executive Director recommends to the SMP Board for approval (or the approved contracts if the SMP Board has approved them) that are not proprietary or otherwise required by law to remain confidential; and
- i. Any other financial materials considered by SMP in its financial planning.

These documents are now being assembled and most should be immediately available to the consultant once a contract between the consultant and the City Council has been executed. However, as noted below, the finalized contracts (DBEC and OMC) will

follow some time after. Other supporting documents, including SMP's Final EIS, are now publicly available. (Selected documents are available at SMP's website, www.elevated.org) Furthermore, it is anticipated that various types of technical information will also be available from SMP upon Council's request. For example, it may be possible to obtain the computer model and the input parameters underlying SMP's ridership forecasts.

As part of any proposal, we are also requesting that the proposer inform the City of any additional information it believes is necessary to perform the review requested.

Section 4. Project Management

The project will be administratively managed by a representative from the City Council's Central Staff of policy analysts, and will be overseen by an Advisory Committee made up of several Councilmembers. The Advisory Committee will meet occasionally with representatives from the consultant and Central Staff to provide guidance and review project status. In addition, representatives from the consultant may be asked to provide status updates to other individual Councilmembers.

In addition to providing more direct project oversight, Central Staff will work with the consultant to coordinate contact with SMP and to help obtain relevant information in a timely manner.

Section 5. Schedule

The timeline for this project may be influenced by actions outside of the direct control of the City Council. Consistent with Council Resolution 30693, the Council is seeking to have a final consultant analysis delivered within 30 days after receiving a complete financial submittal from SMP. (The contents of this submittal are described in Section 3, above.)

The Council intends to complete its selection of a consultant according to the following schedule.

Schedule for Selection of Consultant

Date	Milestone
August 2	City Council issues RFP
August 9	Pre-proposal teleconference (noon PDT)
August 16	Written questions/requests for clarification regarding RFP due to Council
August 23	Proposals due
August 23 - September 3	Review of proposals including possible requests for additional information and/or consultant interviews (by teleconference)
September 3 -10	City Council selects consultant and contract is executed.

It is expected that many of the individual components of SMP's financial submittal will be available at the time the Council selects a consultant and thus certain tasks could begin once the consultant contract is executed on or about September 10.

The last elements provided by SMP are likely to be "the finalized Design Build Equip Contract (DBEC) and Operations and Maintenance Contract (OMC) that the SMP Executive Director recommends to the SMP Board for approval." Proposals for these two contracts are currently due to SMP on August 16th. SMP (and not the City Council) will determine the timeline for evaluating the DBEC and OMC proposals, selecting the successful proposer, and negotiating final contracts.

Because the timeline for completing the financial review sought in this RFP depends on the availability of SMP's finalized contracts, there is unavoidable uncertainty in the project schedule. For example, if SMP were to finalize contracts in early October, the total time available for the financial review could be quite limited. If SMP's evaluation and negotiation process extends into November or later, then a less aggressive pace of work will suffice for the Council's consultant.

To help the City Council assess the potential impacts of this uncertainty, proposers will submit two alternative work program schedules. The first should assume that SMP's financial submittal is complete by early October. The second should assume that the submittal will be complete by early November. Would the scope or depth of the work to be completed, or the cost, be different under each of these timelines?

The actual completion of SMP's financial submittal may well occur between these dates or after the later, but proposers' approach to these schedules will help the Council assess proposers' ability to deal with the inherent uncertainty in the project timeline. Depending on information provided by proposers regarding the feasibility of completing the review within 30 days of receiving SMP's complete financial submittal (per Council Resolution 30693), the Council may consider an alternative schedule.

Section 6. Budget

The City Council does not have a fixed budget for this review, but overall price will be an important component of the Council's evaluation of proposals. Proposers will provide hourly rates for all assigned staff, estimated hours for each staff member, the overall level of effort required, and the total cost to address the proposed scope of work. If the estimated project budget would be different under the two alternative timelines described in Section 5, then the proposer will include two separate, detailed budget estimates.

Section 7. Qualifications, Areas of Expertise and Independence

The Council is seeking a consultant, or a lead consultant that has assembled sub-contracted team members, with extensive experience in the following areas:

- Public transportation financing;
- Major urban public works projects, preferably including design-build, design-build-operate, and/or design-build-operate-maintain projects;
- Contracting processes and the legal/financial structure used in implementing design-build, design-build-operate, and/or design-build-operate-maintain projects;
- Tax and revenue forecasting;
- Bond markets and public finance;
- Transit system modeling, ridership forecasting, and fare development; and
- Transit integration among multiple transit modes and agencies.

A preference will be shown for a consultant or consultant teams with experience in:

- The types of large urban transit projects funded by the Federal Transit Administration (FTA) (although the Monorail Project Green Line is not FTA-funded); and/or
- Non-traditional urban transit projects such as a monorail.

Proposers will provide a brief summary of their experience in these areas. Included in this summary should be a specific list of recent projects that have contributed to this experience, the role played by team members in each of these projects, and references (including names, titles, and phone numbers of principal client contacts on each listed project). As part of the evaluation process, the Council may request copies of previous reports.

Given the Council's overriding interest in obtaining a neutral independent review, proposers must identify in their proposals any previous work for or involvement with (i) the SMP, (ii) Team Monorail or Cascadia Monorail Company, LLC (the teams anticipated to submit proposals for SMP's DBEC and OMC), (iii) the Elevated Transportation Company, or (iv) any organization that has taken a position regarding the merits of the SMP Green Line. With respect to any such work and/or involvement,

proposers must explain why these past activities will not compromise their ability to provide a neutral independent review.

Section 8. Evaluation and Selection Process

The selection of a consultant is intended to be a one-step process. The members of the Advisory Committee and representatives from the Council's Central Staff will make up a Selection Committee to review written proposals, and, if consensus is reached, select the consultant. If a consensus is not reached, proposers will be notified either to submit additional written information or to take part in an interview (teleconference is acceptable). The proposer deemed to be most qualified will be selected.

The Selection Committee will evaluate proposals. Evaluation criteria for the selection of a consultant will include factors relating to a proposer's qualifications (including independence); content of proposal, including costs; and competence to perform the desired work and accomplish the desired outcomes. The rating criteria for the proposals are:

Qualifications and Experience (40 points): Experience in projects of similar scope as evidenced by the proposal and client references; experience and qualifications of key personnel; and availability and accessibility of key personnel.

Proposed Approach to Project and Scope of Work (35 points): Quality of response to tasks listed in Section 2 (including appropriateness and strength of methodologies, with an emphasis on the approach toward integrating individual elements into an overall assessment); appropriateness and value of any additional suggestions, modifications and improvements to the scope; and overall quality of the proposal.

Cost Proposal (25 points): Demonstration of ability to provide a cost-effective analysis and to address the uncertainties in the project timeline.

Section 9. Contracting Requirements

The City Council intends that the selected consultant firm or lead consultant (if the proposer has sub-contracted certain tasks) will agree to the terms of the City's standard consultant contract (see Attachment D). The Council particularly draws proposers' attention to Section 10 of the City's standard consultant contract regarding efforts to use women and minority business enterprises. If there are any specific terms in this contract that are not acceptable, a proposer will, as part its proposal, identify these specific terms, explain its concerns and propose alternative contract language. The Council will consider such modifications, but given the constrained timeline, a protracted contract negotiation will not be possible.

Section 10. Proposal Requirements

For the City Council to adequately and objectively compare and evaluate qualifications, all proposals must be submitted in accordance with the following. The proposals should provide straightforward and concise information, and be prepared simply, economically, and using recycled/recyclable paper (using both sides of the paper for printed and photocopied materials where practical).

- Provide the name, address, phone number and e-mail address of lead contact person for the proposer.
- Cover letter stating overall qualifications of the proposed consultant/consultant team.
- For each firm included in the proposal, provide a brief description and history of the company.
- For each firm included in the proposal, summarize relevant project experience as detailed in Section 7, with a minimum identification of the most recent three projects with similar scope that includes: a brief project description, project managers, completed tasks, evaluation of accomplishments, and client references.
- If the proposal takes the form of a lead consultant with sub-contracted tasks, and the team members have previously worked together, identify recent collaborations relevant to the proposed scope of services and explain the role of each team member in this previous work.
- Proposers must identify in their proposals any previous work for or involvement with (i) the SMP, (ii) Team Monorail or Cascadia Monorail Company, LLC (the teams anticipated to submit proposals for SMP's DBEC and OMC), (iii) the Elevated Transportation Company, or (iv) any organization that has taken a position regarding the merits of the SMP Green Line. With respect to any such work and/or involvement, proposers must explain why these past activities will not compromise their ability to provide a neutral independent review.
- Resumes and qualifications for all proposed professional staff.
- Description of approach to this project, addressing the specific items in Section 2, along with any additional relevant information. Particular emphasis should be given to explaining how each individual component of the analysis will be integrated into a comprehensive assessment, supporting the answers to the questions in Section 1.
- An initial assessment regarding the adequacy of the information included in the "financial submittal" described in Section 3 above, including identification of any additional information or reports that the proposer believes will be necessary to complete the financial viability review.
- Proposed timelines, including a description of how work would proceed under the two alternative schedules described in Section 5. Proposers should make it clear whether the scope or depth of their work would be different under each of these timelines.

- Proposers will provide hourly rates for all assigned staff, estimated hours for each staff member, the overall level of effort required and total project costs. (If total costs would be different under the two timelines described in Section 5, please provide detailed budget estimates for both.)

Seven bound sets and one unbound set (suitable for photocopying) of the proposal should be submitted. Proposals may be either mailed or hand-delivered:

Seattle City Council
600 4th Avenue Fl 2
P.O. Box 34025
Seattle, WA 98124-4025
Attn.: Krista Bunch

If hand-delivered, they should be delivered to 2nd floor, Seattle City Hall, 600 4th Avenue (entrance on 5th Avenue between James and Cherry Streets).

Proposals should be submitted in a sealed envelope that is labeled with the proposer's name and label identifying contents as a proposal responding to the City Council's Request for Proposals to Review the Financial Viability of the Seattle Monorail Project Green Line. No oral, FAX, telegraphic, or telephone proposals, or subsequent modifications to proposals, will be considered. The City Council is not responsible for late delivery caused by the Postal Service or private carriers. Any proposals received after the deadline will not be evaluated. All proposals become the property of the City of Seattle. The City will take all reasonable steps within its authority under state public disclosure laws to keep the content of all proposals confidential until the selection of a consultant is made. Any proprietary data must be clearly marked.

Specific questions regarding logistics or the selection process should be directed to Krista Bunch (krista.bunch@seattle.gov, 206-684-8801).

The deadline for receipt of submittals is 5:00 p.m. (Pacific Daylight Time), Monday, August 23, 2004.

Section 11. Request for Information and Pre-proposal Teleconference

A teleconference for all interested proposers will be held at Noon (Pacific Daylight Time) on August 9, 2004. Proposers who plan to participate in the teleconference must RSVP via e-mail to Krista Bunch (krista.bunch@seattle.gov) as soon as possible, but no later than 9:00 a.m. (PDT) on August 9, 2004. Due to a limited number of portals for the teleconference, participation by any individual team may be limited. Please specify in your RSVP how many members of your team would like to participate and the priority order.

Any requests for additional information/clarifications regarding this RFP (beyond logistics and the selection process) should be made in writing and submitted via e-mail to Krista Bunch (krista.bunch@seattle.gov) no later than 5:00 p.m. Pacific Daylight Time on August 16, 2004. Communications with other City officials or staff on this matter are prohibited and may result in disqualification of the prospective consultant.

All written requests received prior to the stated deadline will be answered in writing by the City Council, and copies of the requests and answers will be transmitted to all prospective proposers who have provide an e-mail address to Krista Bunch and requested to be on the distribution list for questions and answers.

Attachments

Attachment A: Ordinance 121517

Attachment B: Transit Way Agreement

Attachment C: Resolution 30693

Attachment D: City's Standard Consultant Contract